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1ST SESSION

H. R. 1129

IN THE SENATE OF THE UNITED STATES

NOVEMBER 10, 1997

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Read twice and referred to the Committee on Foreign Relations

AN ACT

To establish a program to provide assistance for programs of credit and other assistance for microenterprises in developing countries, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Microcredit for Self-
3 Reliance Act of 1997”.

4 **SEC. 2. FINDINGS AND DECLARATIONS OF POLICY.**

5 The Congress makes the following findings and dec-
6 larations:

7 (1) More than 1,000,000,000 people in the de-
8 veloping world are living in severe poverty.

9 (2) According to the United Nations Children’s
10 Fund (UNICEF), mortality for children under the
11 age of 5 averages 100 child deaths per thousand for
12 all developing countries, with nearly double that rate
13 in the poorest countries.

14 (3) Nearly 35,000 children die each day from
15 largely preventable malnutrition and disease.

16 (4)(A) Women in poverty generally have larger
17 work loads, and less access to educational and eco-
18 nomic opportunities than their male counterparts.

19 (B) Directly aiding the poorest of the poor, es-
20 pecially women, in the developing world has a posi-
21 tive effect not only on family incomes, but also on
22 child nutrition, health and education, as women in
23 particular reinvest income in their families.

24 (5)(A) The poor in the developing world, par-
25 ticularly women, generally lack stable employment
26 and social safety nets.

1 (B) Many turn to self-employment to generate
2 a substantial portion of their livelihood.

3 (C) These poor entrepreneurs are often trapped
4 in poverty because they cannot obtain credit at rea-
5 sonable rates to build their asset base or expand
6 their otherwise viable self-employment activities.

7 (D) Many of the poor are forced to pay interest
8 rates as high as 10 percent per day to money lend-
9 ers.

10 (6)(A) On February 2–4, 1997, a global micro-
11 credit summit was held in Washington, District of
12 Columbia, to launch a plan to expand access to cred-
13 it for self-employment and other financial and busi-
14 ness services to 100,000,000 of the world’s poorest
15 families, especially the women of those families, by
16 2005.

17 (B) With five to a family, achieving this goal
18 will mean that the benefits of microcredit will there-
19 by reach nearly half of the world’s more than
20 1,000,000,000 absolute poor.

21 (7)(A) The poor are able to expand their in-
22 comes and their businesses dramatically when they
23 can access loans at reasonable interest rates.

1 (B) Through the development of self-sustaining
2 microcredit programs, poor people themselves can
3 lead the fight against hunger and poverty.

4 (8)(A) Nongovernmental organizations such as
5 the Grameen Bank, Accion International, and the
6 Foundation for International Community Assistance
7 (FINCA) have been successful in lending directly to
8 the very poor.

9 (B) These institutions generate repayment rates
10 averaging 95 percent or higher, demonstrating the
11 bankability of the poorest.

12 (C) International organizations such as the
13 International Fund for Agricultural Development
14 (IFAD) and the United Nations Development Pro-
15 gram (UNDP) have demonstrated success in sup-
16 porting microcredit programs.

17 (9)(A) Microcredit institutions not only reduce
18 poverty, but also reduce the dependency on foreign
19 assistance.

20 (B) Interest income on a credit portfolio can be
21 used to pay recurring institutional costs, assuring
22 the long-term sustainability of development assist-
23 ance.

1 (10) Microcredit institutions leverage foreign
2 assistance resources because loans are recycled, gen-
3 erating new benefits to program participants.

4 (11) The development of sustainable micro-
5 credit institutions which provide credit and training,
6 and mobilize domestic savings, are critical compo-
7 nents to a global strategy of poverty reduction and
8 broad based economic development.

9 (12)(A) In 1994, the United States Agency for
10 International Development launched a microenter-
11 prise initiative in partnership with the Congress.

12 (B) The initiative committed to expanding
13 funding for the microenterprise programs of the
14 Agency, and set a goal that, by the end of fiscal year
15 1996, half of all microenterprise resources would
16 support programs and institutions providing credit
17 to the poorest, with loans under \$300.

18 (C) In order to achieve the goal of the micro-
19 credit summit, increased investment in microcredit
20 institutions serving the poorest will be critical.

21 (13) Providing the United States share of the
22 global investment needed to achieve the goal of the
23 microcredit summit will require only a small increase
24 in United States funding for international micro-

1 credit programs, with an increased focus on institu-
2 tions serving the poorest.

3 (14)(A) In order to reach tens of millions of the
4 poorest with microcredit, it is crucial to expand and
5 replicate successful microcredit institutions.

6 (B) These institutions need assistance in devel-
7 oping their institutional capacity to expand their
8 services and tap commercial sources of capital.

9 (15) Nongovernmental organizations have dem-
10 onstrated competence in developing networks of local
11 microcredit institutions so that they reach large
12 numbers of the very poor, and achieve financial sus-
13 tainability.

14 (16) Recognizing that the United States Agency
15 for International Development has developed very ef-
16 fective partnerships with nongovernmental organiza-
17 tions, and that the Agency will have fewer missions
18 to carry out its work, the Agency should place prior-
19 ity on investing in these nongovernmental network
20 institutions through the central funding mechanisms
21 of the Agency.

22 (17) By expanding and replicating successful
23 microcredit institutions, it should be possible to cre-
24 ate a global infrastructure to provide financial serv-
25 ices to the world's poorest families.

1 (18)(A) The United States Agency for Inter-
2 national Development can provide leadership to
3 other bilateral and multilateral development agencies
4 as such agencies expand their support to the micro-
5 enterprise sector.

6 (B) The United States Agency for International
7 Development should seek to improve coordination of
8 donor efforts at the operational level to promote the
9 use of best practices in the provision of financial
10 services to the poor and to ensure that adequate in-
11 stitutional capacity is developed.

12 (19) Through expanded support for microcredit,
13 especially credit for the poorest, the United States
14 Agency for International Development can continue
15 to play a leadership role in the global effort to ex-
16 pand financial services and opportunity to
17 100,000,000 of the poorest families on the planet.

18 **SEC. 3. PURPOSES.**

19 The purposes of this Act are—

20 (1) to provide for the continuation and expan-
21 sion of the commitment of the United States Agency
22 for International Development to the development of
23 microenterprise institutions;

24 (2) to make microenterprise development the
25 centerpiece of the overall economic growth strategy

1 of the United States Agency for International Devel-
 2 opment;

3 (3) to support and develop the capacity of Unit-
 4 ed States and indigenous nongovernmental organiza-
 5 tion intermediaries to provide credit, savings, and
 6 training services to microentrepreneurs;

7 (4) to increase the amount of assistance de-
 8 voted to credit activities designed to reach the poor-
 9 est sector in developing countries, and to improve
 10 the access of the poorest, particularly women, to
 11 microenterprise credit in developing countries; and

12 (5) to encourage the United States Agency for
 13 International Development to provide global leader-
 14 ship in promoting microenterprise for the poorest
 15 among bilateral and multilateral donors.

16 **SEC. 4. MICRO- AND SMALL ENTERPRISE DEVELOPMENT**
 17 **CREDITS.**

18 Section 108 of the Foreign Assistance Act of 1961
 19 (22 U.S.C. 2151f) is amended to read as follows:

20 **“SEC. 108. MICRO- AND SMALL ENTERPRISE DEVELOPMENT**
 21 **CREDITS.**

22 **“(a) FINDINGS AND POLICY.—**The Congress finds
 23 and declares that—

24 **“(1)** the development of micro- and small enter-
 25 prise, including cooperatives, is a vital factor in the

1 stable growth of developing countries and in the de-
2 velopment and stability of a free, open, and equi-
3 table international economic system;

4 “(2) it is, therefore, in the best interests of the
5 United States to assist the development of the pri-
6 vate sector in developing countries and to engage the
7 United States private sector in that process;

8 “(3) the support of private enterprise can be
9 served by programs providing credit, training, and
10 technical assistance for the benefit of micro- and
11 small enterprises; and

12 “(4) programs that provide credit, training, and
13 technical assistance to private institutions can serve
14 as a valuable complement to grant assistance pro-
15 vided for the purpose of benefiting micro- and small
16 private enterprise.

17 “(b) PROGRAM.—To carry out the policy set forth in
18 subsection (a), the President is authorized to provide as-
19 sistance to increase the availability of credit to micro- and
20 small enterprises lacking full access to credit, including
21 through—

22 “(1) loans and guarantees to credit institutions
23 for the purpose of expanding the availability of cred-
24 it to micro- and small enterprises;

1 “(2) training programs for lenders in order to
2 enable them to better meet the credit needs of
3 micro- and small entrepreneurs; and

4 “(3) training programs for micro- and small en-
5 trepreneurs in order to enable them to make better
6 use of credit and to better manage their enterprises.

7 “(c) ELIGIBILITY CRITERIA.—The Administrator of
8 the United States Agency for International Development
9 shall establish criteria for determining which entities de-
10 scribed in subsection (b) are eligible to carry out activities,
11 with respect to microenterprises, assisted under this sec-
12 tion. Such criteria may include the following:

13 “(1) The extent to which the recipients of credit
14 from the entity do not have access to the local for-
15 mal financial sector.

16 “(2) The extent to which the recipients of credit
17 from the entity are among the poorest people in the
18 country.

19 “(3) The extent to which the entity is oriented
20 toward working directly with poor women.

21 “(4) The extent to which the entity recovers its
22 cost of lending to the poor.

23 “(5) The extent to which the entity implements
24 a plan to become financially sustainable.”.

1 **SEC. 5. MICROENTERPRISE DEVELOPMENT GRANT ASSIST-**
2 **ANCE.**

3 Chapter 1 of part I of the Foreign Assistance Act
4 of 1961 (22 U.S.C. 2151 et seq.) is amended by adding
5 at the end the following new section:

6 **“SEC. 129. MICROENTERPRISE DEVELOPMENT GRANT AS-**
7 **SISTANCE.**

8 “(a) AUTHORIZATION.—(1) In carrying out this part,
9 the Administrator of the United States Agency for Inter-
10 national Development is authorized to provide grant as-
11 sistance for programs of credit and other assistance for
12 microenterprises in developing countries.

13 “(2) Assistance authorized under paragraph (1) shall
14 be provided through organizations that have a capacity to
15 develop and implement microenterprise programs, includ-
16 ing particularly—

17 “(A) United States and indigenous private and
18 voluntary organizations;

19 “(B) United States and indigenous credit
20 unions and cooperative organizations; or

21 “(C) other indigenous governmental and non-
22 governmental organizations.

23 “(3) Approximately one-half of the credit assistance
24 authorized under paragraph (1) shall be used for poverty
25 lending programs, including the poverty lending portion
26 of mixed programs. Such programs—

1 “(A) shall meet the needs of the very poor
2 members of society, particularly poor women; and

3 “(B) should provide loans of \$300 or less in
4 1995 United States dollars to such poor members of
5 society.

6 “(4) The Administrator should continue support for
7 mechanisms that—

8 “(A) provide technical support for field mis-
9 sions;

10 “(B) strengthen the institutional development
11 of the intermediary organizations described in para-
12 graph (2); and

13 “(C) share information relating to the provision
14 of assistance authorized under paragraph (1) be-
15 tween such field missions and intermediary organiza-
16 tions.

17 “(b) MONITORING SYSTEM.—In order to maximize
18 the sustainable development impact of the assistance au-
19 thorized under subsection (a)(1), the Administrator shall
20 establish a monitoring system that—

21 “(1) establishes performance goals for such as-
22 sistance and expresses such goals in an objective and
23 quantifiable form, to the extent feasible;

1 “(2) establishes performance indicators to be
2 used in measuring or assessing the achievement of
3 the goals and objectives of such assistance; and

4 “(3) provides a basis for recommendations for
5 adjustments to such assistance to enhance the sus-
6 tainable development impact of such assistance, par-
7 ticularly the impact of such assistance on the very
8 poor, particularly poor women.”.

9 **SEC. 6. MULTILATERAL COOPERATION WITH THE INTER-**
10 **NATIONAL FUND FOR AGRICULTURAL DE-**
11 **VELOPMENT.**

12 (a) FINDINGS.—The Congress finds the following:

13 (1)(A) The International Fund for Agricultural
14 Development (“IFAD”) has as its mission serving
15 the poorest of the poor in rural areas.

16 (B) IFAD has had two decades of experience in
17 assisting the economic development of the rural
18 poor.

19 (2) IFAD has been a significant supporter of
20 microenterprise and other microfinance activities for
21 the rural poor almost since its inception and it was
22 the first international institution to assist the
23 Grameen Bank.

24 (3) IFAD can make a significant contribution
25 to developing a global network of sustainable micro-

1 enterprise and other microfinance institutions which
2 serve the very poor through support for nongovern-
3 mental organizations and other community-based
4 microcredit institutions.

5 (b) SENSE OF THE CONGRESS.—It is the sense of
6 the Congress that—

7 (1) the United States Agency for International
8 Development, in carrying out sections 108 and 129
9 of the Foreign Assistance Act of 1961, as added by
10 sections 4 and 5 of this Act, respectively, shall seek
11 to cooperate with IFAD in order to compliment and
12 expand the activities of IFAD, especially with re-
13 spect to institutional development; and

14 (2) the United States should continue to sup-
15 port and contribute to the activities of IFAD, espe-
16 cially activities related to microenterprise and micro-
17 finance, including the Microfinance Capacity Build-
18 ing Grant Initiative.

19 **SEC. 7. UNITED NATIONS DEVELOPMENT PROGRAM'S**
20 **MICROSTART PROGRAM.**

21 It is the sense of the Congress that—

22 (1) the Microstart Program established by the
23 United Nations Development Program (UNDP) rep-
24 represents an important new initiative; and

1 (2) the President should instruct the United
2 States representative to the United Nations to use
3 the voice and vote of the United States to support
4 the Microstart Program of the United Nations De-
5 velopment Program.

Passed the House of Representatives November 9,
1997.

Attest:

ROBIN H. CARLE,
Clerk.